

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE APPLICATION OF THE)	
FUEL ADJUSTMENT CLAUSE OF KENTUCKY)	CASE NO. 8058
POWER COMPANY PURSUANT TO 807 KAR)	
5:056E, SECTIONS 1(11) AND (12))	

FINAL ORDER

On April 2, 1981, Kentucky Power Company ("Company") filed its application for rehearing on the issue of unrecovered fuel cost. It continued to allege an under-recovery of \$735,166.

On April 17, 1981, the Commission granted the petition for rehearing. The Commission pointed out that the Company's calculation was based on an invalid assumption, correction of which significantly reduced the alleged under-recovery of fuel cost. The Commission found an approximate under-recovery of \$273,842 but reserved final determination of the amount until the Company provided October 1978 KWH sales billed in November 1978. The rehearing was limited to determination of the exact amount of the under-recovery in the event the Company did not accept the amount contained in Appendix A to the April 17 Order.

On May 4, 1981, the Company filed the information on October 1978 KWH sales billed in November 1978. Based on the Commission's calculation, revised to reflect the October KWH sales billed in November 1978, the amount of the under-collection was \$393,786. The Company accepted the option of cancelling the rehearing and

proposed a surcharge of \$.00009 per KWH to be applied to bills rendered on and after the effective date established by the Commission. As an alternative to the surcharge, the Company proposed that one-twelfth of this amount be added to the fuel costs used to compute the monthly fuel factor over a 12-month period. Under either method the Company would cease billing this charge when the \$393,786 was recovered from the customers.

On May 5, 1981, the Consumer Intervention Division of the Attorney General's Office filed a petition for rehearing, asserting that the request for a surcharge was denied by the Commission's Order issued on March 13, 1981; that the Commission's Order of April 17, 1981, allows recovery of lost revenue and thus conflicts with the Order issued on March 13, 1981; and that the surcharge is retroactive rate making. The Commission granted the petition for rehearing and the matter was heard on May 13, 1981.

The Attorney General presented the testimony of Mr. John Hungate, who maintained that a Company witness had testified that the Company had billed and received everything it was entitled to collect; that the Company had billed September fuel cost twice; that any alleged under-recovery would have been recovered in subsequent rate cases; and that to allow a surcharge for an alleged deficiency would permit the Company to use the same cost twice in seeking rate relief.

Witness Hungate offered an exhibit showing the revenue per 1000 KWH for the months of July through November 1978. From this, he concluded that no deficiency was suffered since the revenue per 1000 KWH increased from August through November of

1978. The witness maintained that the issue arises because of deferred fuel accounting followed by the Company and that absent this deferred accounting, it was questionable whether or not the Company could show a deficiency.

The Company presented Mr. William D. D'Onofrio and Mr. John Via, the same witnesses who testified at the hearing on January 27, 1981. Mr. D'Onofrio restated the Company's contention that an under-recovery had in fact occurred, and that the Company's statement it had billed and received everything it was entitled to collect was taken out of context and could not be interpreted to mean that there had been no under-recovery.

Based on a review and analysis of the testimony and exhibits presented at the hearing on January 27, 1981, and the rehearing on May 13, 1981, the Commission finds that:

1. Any alleged double collection of fuel cost was taken into account in Appendix A to the Commission's Order issued on April 17, 1981.
2. The Company in this case is not seeking to recover a revenue deficiency but is seeking to recover unbilled fuel cost arising from the September 1978 roll-in.
3. Granting this request is not retroactive rate making. The Commission in its Order in Case No. 7164 directed the Company to seek recovery of unbilled fuel costs resulting from the September 1978 roll-in in the fuel clause proceedings.
4. The Company has not included unrecovered fuel cost resulting from the September 1978 roll-in as an adjustment in general rate cases.

5. The Order issued on April 17, 1981, is not in conflict with the Order issued on March 13, 1981. In the March 13 Order the Commission made clear that the major problem it had with the Company's request was the accuracy of the amount alleged to be unrecovered. Primarily for this reason the Commission rejected the Company's request. The Commission's concern was justified because on rehearing the Company, using Appendix A to the Order issued on April 17, revised its under-recovered fuel cost from \$735,000 to \$393,786. The Commission believes this calculation accurately reflects the under-recovery of fuel cost resulting from the September 1978 roll-in. Since the Company has provided an accurate measure of these unrecovered fuel costs, the Commission concludes its request for recovery of these fuel costs should be granted.

6. The Company's deferral of fuel costs on its books does not enter into the determination of under- or over-recovery of fuel cost. This determination can be and was made based on the facts. The Company provided exhibits showing by billing cycle the FAC rate billed its customers in October, November and December of 1978 to recover the increase in fuel cost during September and October 1978. From this information, the Commission developed Appendix A to the April 17 Order. Thus, to determine the under-recovery of fuel cost, the Commission gave no consideration to deferred fuel costs recorded on the Company's books. On the contrary, any under-recovery of fuel costs that resulted from the 1978 roll-in of fuel cost to the base rates is measured by an

analysis of the actual base rate and FAC charge billed during the period scrutinized.

7. The Company should be allowed to recover fuel cost of \$393,786 by adding a surcharge of \$.00009 to the FAC charge determined without regard to the surcharge.

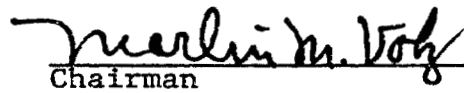
IT IS THEREFORE ORDERED that the Company's request for a surcharge of \$.00009 to recover an amount of \$393,786 in unrecovered fuel cost, because of the November 1978 roll-in, be and is hereby granted.

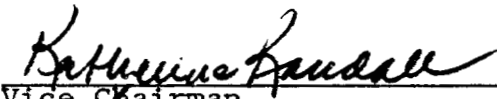
IT IS FURTHER ORDERED that the surcharge shall be added as a separate line item to the monthly FAC charge filed with the Commission.


IT IS FURTHER ORDERED that the Company shall cease charging the surcharge when the under-recovery of fuel cost has been recovered and shall file with the Commission a report showing the total KWH to which the surcharge was applied and the dollar amount actually recovered through the surcharge.

Done at Frankfort, Kentucky, this 10th day of June, 1981.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary